

**IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF ALABAMA
MIDDLE DIVISION**

**ALFA CORPORATION, an Alabama
corporation;**

Plaintiff,

v.

**ALFA MORTGAGE CORPORATION, an
Indiana corporation;**

Defendant.

**CIVIL ACTION NO.
2:06-CV-962-WKW-WC**

DEFENDANT'S REPLY IN SUPPORT OF ITS MOTION TO DISMISS

Defendant Alfa Mortgage Corporation (“Defendant”) offers this Reply in support of its Motion to Dismiss Plaintiff Alfa Corporation’s (“Plaintiff”) Complaint:

INTRODUCTION

Plaintiff, a corporation purportedly organized under the laws of Delaware with its principal place of business in Alabama, initiated this trademark infringement action against Defendant, an Indiana corporation with no contacts with the State of Alabama. Accordingly, Defendant filed a Motion to Dismiss for lack of personal jurisdiction. In response to this Motion, Plaintiff makes two arguments: (1) that Defendant is subject to personal jurisdiction in Alabama under the “effects” test; and (2) that the exercise of jurisdiction over Defendant in Alabama is reasonable. Neither of these arguments is supported by the applicable law or the relevant facts.

ARGUMENT

I. This Court does not have personal jurisdiction over Defendant under the “effects test” because none of Defendant’s conduct was expressly aimed at Alabama.

A defendant is subject to a court’s personal jurisdiction when the defendant’s conduct and connection with the forum state is such that “he should reasonably anticipate being haled into court there.” *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 296 (1980). The

United States Supreme Court recognized that intentional actions in one state may indicate that a non-resident defendant expected its conduct to have an effect in the forum state; and, therefore, expected to be sued in the forum state. *See Calder v. Jones*, 465 U.S. 783, 789-90 (1984). Under these circumstances, the minimum contacts requirement for personal jurisdiction may be satisfied when (1) the defendant engages in intentional acts; (2) the acts are expressly aimed at the forum state; and (3) the acts cause an injury, the brunt of which is felt in the forum state. *Id.*

Various jurisdictions, to include the Middle District Court of Alabama, have applied the *Calder* effects test to analyze personal jurisdiction to claims for trademark infringement and dilution. In all of these cases, the courts relied on the *intentionality* aspect of the *Calder* test; in other words, the courts focused on whether the conduct at issue was *expressly aimed* at causing harm *in the forum state*. *See Pebble Beach Co. v. Caddy*, 453 F.3d 1151, 1156 (9th Cir. 2006) (finding that defendant's acts did not give rise to personal jurisdiction under *Calder* because the acts were not "expressly aimed" at California); *Carefirst of Md., Inc. v. Carefirst Pregnancy Ctrs., Inc.*, 334 F.3d 390, 397-401 (4th Cir. 2003) (referencing *Calder* and finding that personal jurisdiction over the defendant was improper because the defendant did not intend to specifically target citizens of the forum state); *Toys "R" Us, Inc. v. Step Two, S.A.*, 318 F.3d 446, 455 n6 (3d Cir. 2003) (stating that the "intentionality requirement is the key missing component for jurisdiction under either the 'minimum contacts' analysis or the 'effects' test"); *Kwik Kopy Corp. v. Byers*, 37 Fed. Appx. 90 (5th Cir. 2002) (finding sufficient personal jurisdiction under the effects test when the franchise agreement at issue was governed by Texas law, the immediate effect of the tortious interference would be felt in Texas, the defendant knew that the franchise agreement was governed by Texas law, and the harm caused by the defendant was "specifically directed" at a Texas corporation); *Finley v. River North Records*, 148 F.3d 913, 916 (8th Cir. 1998) (holding that personal jurisdiction was proper under *Calder* when the defendant's conduct

was “intended to induce commercial activity within the forum state”); *Indianapolis Colts v. Metropolitan Baltimore Football Club Ltd. Partnership*, 34 F.3d 410, 412 (7th Cir. 1994) (finding that, for purposes of the *Calder* test, the defendant intentionally “entered” the state by broadcasting football games within the state of Indiana); *Alfa Corp. v. Alfagres, S.A.*, 385 F. Supp. 2d 1230, 1236 (M.D. Ala. 2005) (applying *Calder* and finding that personal jurisdiction existed because the facts alleged indicated “that Alfagres *knew* it was likely committing trademark infringement specifically against Alfa in Alabama and continued to do so anyway”) (emphasis in original); *Full Sail, Inc. v. Spevack*, 2003 WL 25277185 at *6 (M.D. Fla. Oct. 21, 2003) (determining that the *Calder* test was not satisfied because the acts at issue were not “expressly aimed at a Florida audience”).¹

Consequently, to determine whether Defendant expected to be haled into court in Alabama, this Court’s relevant inquiry is whether Defendant’s use of the name “Alfa” was intentionally and expressly aimed ***at the State of Alabama***, to the extent that its actions caused an injury, the brunt of which was felt ***in Alabama***. In this case, the record shows that Defendant never expressly aimed any conduct at the State of Alabama. The record is also devoid of any evidence to show that Defendant’s alleged conduct caused any injury to Plaintiff, the brunt of

¹ Notably, the authority that Plaintiff cites in its Response also expressly supports the contention that the conduct at issue must be ***intentionally*** aimed ***at the forum state***. See Pl.’s Resp., pp. 6-7 citing *Coblentz GMC/Freightliner, Inc. v. General Motors Corp.*, 724 F. Supp. 1364, 1370, n.9 (M.D. Ala. 1989) (noting that the effects tests supports personal jurisdiction when the defendant’s actions are “purposefully directed” at the forum state); *Bird v. Parsons*, 289 F.3d 865, 874 (6th Cir. 2002) (stating that to establish specific jurisdiction, the defendant “must purposefully avail himself of the privilege of acting *in the forum state* or causing a consequence *in the forum state*”) (emphasis added); *Panavision Int’l, L.P. v. Toeppen*, 141 F.3d 1316, 1322 (9th Cir. 1998) (finding that the effects test was satisfied when the defendant knew his conduct would injure the plaintiff in California); *Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club, LP*, 34 F.3d 410, 412 (7th Cir. 1994) (determining that, for purposes of the *Calder* test, the defendant intentionally “entered” the state by broadcasting football games within the state of Indiana); *Dakota Indus. v. Dakota Sportswear*, 946 F.2d 1384, 1390-91 (8th Cir. 1991) (recognizing that the effects test is satisfied over non-resident defendants whose acts “are performed for the very purpose of having their consequences felt in the forum state”); *Bunn-O-Matic Corp. v. Bunn Coffee Serv.*, 46 U.S.P.Q.2d (BNA) 1375, 1377-78 (C.D. Ill. 1998) (specifying that the defendant waived any argument that it intended to injure the plaintiff in the forum state, and that the defendant was on notice that its use of a trademark would cause injury in Illinois). The only case cited by Plaintiff that does not expressly support this contention is not relevant because it does not even apply the elements of the effects test. See *Janmark, Inc. v. Reidy*, 132 F.3d 1200, 1202-03 (7th Cir. 1997) (citing *Calder* and *Indianapolis Colts* but analyzing whether an injury occurred in Illinois).

which was felt in Alabama. The record further shows that Defendant began using the name “Alfa Mortgage” long before Plaintiff filed to register the name “Alfa” for use in the financial services and mortgage lending business. *Compare* Ex. A Shelton Dep., p. 12 (establishing March 20, 2001 as the date Alfa Mortgage was incorporated)² *with* Pl.’s Resp., Ex. 4 (indicating that Plaintiff filed trademark applications for its financial services business in February, 2002).

Corina Shelton, the president, owner, and sole employee of Alfa Mortgage testified that she was never informed that Alfa Corporation was connected with the State of Alabama, and that the *only* contact that she and Alfa Mortgage have ever had with Alabama was this lawsuit. *See* Def.’s Mot. to Dismiss, Ex. A, Shelton Decl., ¶¶ 8, 10. Moreover, the deposition and the cease-and-desist letter that Plaintiff relies on make no mention whatsoever of the State of Alabama. *See* Ex. A, Shelton Dep.; *see also* Compl., Ex. 1, Letter from Basombrio to Shelton (August 22, 2006); Pl.’s Resp., Ex. 3. Further, the Complaint itself does not contain any allegation that Defendant expressly aimed its conduct at Alabama. *See* Compl. Put simply, neither the record nor the law supports Plaintiff’s attempt to create personal jurisdiction in Alabama.

A. *Alfa Corp. v. Alfagres* is factually distinguishable from this case.

Plaintiff incorrectly attempts to apply the facts of *Alfa Corp. v. Alfagres* to this case. *See* Pl.’s Resp., pp. 8-12 *citing* *Alfa Corp. v. Alfagres, S.A.*, 385 F. Supp. 2d 1230 (M.D. Ala. 2005). Moreover, Plaintiff errs in not recognizing that the *Alfagres* court correctly adopted *Calder’s* intentionality requirement when applying the effects test. Plaintiff quoted a portion of the *Alfagres* opinion, but omitted key language whereby the court specified that the allegations against Alfagres indicated that its infringing conduct was specifically directed at Alabama:

Alfagres *knew* it was likely committing trademark infringement specifically against Alfa *in Alabama* and continued to do so anyway. Because it could anticipate that the primary effects of its wrongful conduct would be felt *in*

² In its Response, Plaintiff provided only a portion of the deposition taken of Ms. Shelton in a case to which she was not a party. Defendant attaches to this Reply the entire transcript of that deposition. *See* Ex. A, Shelton Dep.

Alabama, Alfagres could reasonably have expected that Alpha [sic] would bring suit here, even given Alfagres's [sic] lack of other contacts with Alabama.

385 F. Supp. 2d at 1236 (emphasis added). Thus, in accordance with the court's opinion in *Alfagres*, the Supreme Court's opinion in *Calder*, and the multitude of authorities applying the effects test, the non-resident Defendant in this case must have expressly and intentionally aimed its conduct at Alabama for this Court to exercise personal jurisdiction.

Unlike in *Alfagres*, the intentionality requirement is not satisfied here. Plaintiff points to the cease-and-desist letter in *Alfagres* to argue that Defendant's receipt of a letter accusing it of trademark infringement is somehow relevant to personal jurisdiction in Alabama. See Pl.'s Resp., p. 8, citing *Alfagres*, 385 F. Supp. 2d at 1236. However, the letter sent to Defendant (1) was printed on a letterhead with a California address; and (2) made no mention of the State of Alabama. See Compl., Ex. 1, Letter from Basombrio to Shelton (August 22, 2006); Pl.'s Resp., Ex. 3. There is nothing on whatsoever on the face of that letter to put Defendant on notice that Plaintiff was located in Alabama. Even if it did, "[a] cease and desist letter is not in and of itself sufficient to establish personal jurisdiction over the sender of the letter." *Yahoo, Inc. v. La Ligue Contre Le Racisme*, 433 F.3d 1199, 1208 (9th Cir. 2006); see also *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1361 (Fed. Cir. 1998). Defendant acknowledges that it received, rather than sent the letter at issue, but in its Response Plaintiff references *Yahoo* and *Red Wing Shoe* to make the illogical argument that, while the affirmative act of sending a letter is not sufficient to establish jurisdiction, the passive act of receiving a letter is enough to support personal jurisdiction. See Pl.'s Resp., p. 11. Under Plaintiff's interpretation of the law, any plaintiff could establish personal jurisdiction in Alabama over any defendant in another state by merely sending that defendant a letter from Alabama. Such an interpretation flies in the face of *Calder* and violates due process.

B. The July 31, 2006 deposition did not put Defendant on notice that the effects of its conduct would be felt in Alabama.

Corina Shelton was deposed – in a trademark infringement lawsuit to which she was not a party – in California on July 31, 2006. *See* Ex. A, Shelton Dep., p. 4. In Defendant’s Motion to Dismiss, Corina Shelton stated that after the deposition she spoke with Juan C. Basombrio, an attorney for Plaintiff. *See* Def.’s Mot. to Dismiss, Ex. A, Shelton Decl., ¶¶ 7-8. She specifically testified that Mr. Basombrio “did *not* inform me that Alfa Corporation was in any way connected with the State of Alabama.” *See Id.*, ¶ 8 (emphasis added). In response to Defendant’s Motion to Dismiss, Plaintiff submitted the declaration of Mr. Basombrio, whereby he testified that he “*indicated* to Ms. Shelton that [his] client, Alfa Corporation, was a corporation in Alabama....” *See* Pl.’s Resp., Basombrio Decl., ¶ 3 (emphasis added). Apparently, Mr. Basombrio’s recollection of the conversation differs from Ms. Shelton’s. However, the transcript of the deposition that took place immediately prior to their conversation is absolutely clear – in the entire forty-nine pages of testimony, *there is not a single mention of the State of Alabama*. *See* Ex. A, Shelton Dep. (July 31, 2006). As a result, neither the deposition transcript, the August 22, 2006 letter, nor Corina Shelton’s Declaration provide any evidence to suggest that Defendant expressly aimed its conduct at Alabama, or that its conduct might affect any entity within Alabama. On the contrary, Ms. Shelton specifically testified that she did not know that Plaintiff was in any way connected with Alabama. Further, the Complaint itself contains no allegation that Defendant expressly aimed its conduct at Alabama. Accordingly, Plaintiff’s argument fails.

C. Defendant was not required to investigate whether Plaintiff’s business was located in Alabama.

Plaintiff further argues that, even if Defendant was not aware of Plaintiff’s alleged Alabama connections, Defendant “*should have* known the location of [Plaintiff’s alleged] injury.” *See* Pl.’s Resp., p. 10 (emphasis added). However, the legal authority that Plaintiff cites

is inapposite to the facts of this case. *Id.*, citing *Oswalt v. Scripto, Inc.*, 616 F.2d 191 (5th Cir. 1980); *Pollution Prevention Servs., Inc. v. Inter Recycling, Inc.*, 1996 WL 378990 (M.D. Fla. July 1, 1996). In *Oswalt*, the Fifth Circuit found personal jurisdiction appropriate in a products liability case where (1) the defendant delivered millions of cigarette lighters to a co-defendant, with the understanding that the co-defendant would be the exclusive distributor in the United States; (2) the defendant knew that its product would be sold to a nation-wide market; (3) Texas was a state in which the lighters were marketed; and (4) the distribution chain included a Texas wholesaler and a Texas retail store. *Oswalt*, 616 F.2d at 199-200. In *Pollution Prevention Servs.*, the Middle District Court of Florida determined that personal jurisdiction was proper in Florida, for purposes of a breach of contract/fraud claim, when the president of the corporate defendant (1) contacted and met with the plaintiff's president in the State of Florida; and (2) specifically discussed setting up a recycling machine in Florida. 1996 WL 378990 *4.

Unlike *Oswalt* and *Pollution Prevention*, where the courts were presented with ample evidence to establish the minimum contacts necessary to support personal jurisdiction, here there is nothing in the record that establishes any contact at all between Defendant and the State of Alabama. Moreover, neither *Oswalt* nor *Pollution Prevention* analyzed personal jurisdiction under the *Calder* effects test – the relevant test in the Eleventh Circuit. Accordingly, Plaintiff's contention that Defendant should have known that Plaintiff's business had ties to Alabama is without merit.

Assuming *arguendo* that Defendant should have investigated Plaintiff's business, the record shows that Defendant took the reasonable steps necessary to investigate potential trademark issues at the company's inception. When Defendant was incorporated in Indiana, its president – Corina Shelton – conducted a trademark search with the State of Indiana. *See* Ex. A, Shelton Dep., p. 42. Ms. Shelton also registered the domain name for her company with Genesis

– an internet service company located in California – which searched for other companies named “Alfa Mortgage” in its system. *Id.*, pp. 43-44. Ms. Shelton ultimately filed the appropriate papers with the State of Indiana, and Defendant was officially incorporated as Alfa Mortgage on March 20, 2001. *Id.*, p. 12. To suggest that Ms. Shelton was required to do more than this is unreasonable, considering the fact that (1) Plaintiff provides no legal authority to suggest that Defendant was required to perform even these actions; and (2) Plaintiff provides no legal authority to suggest that Defendant’s receipt of the August 22, 2006 letter from California triggered a duty to search for trademark conflicts in Alabama or any of the other forty-nine states.³

Plaintiff finally contends, without citation to any legal authority, that Defendant should have performed an Internet search on the United States Patent and Trademark Office (“USPTO”) website to determine whether the name “Alfa Mortgage” violated Plaintiff’s trademark. *See* Pl.’s Resp., p. 9. However, the very evidence that Plaintiff provides in support of this baseless argument shows that had Defendant been obligated to conduct such a search (and it was not), the search would have established that Plaintiff did not register “Alfa” in connection with financial and mortgage services until February 2002 – *nearly a year after Defendant incorporated Alfa Mortgage on March 20, 2001*.⁴ *See* Pl.’s Resp., Ex. 4; Ex. A, Shelton Dep., p. 12. Thus, even if Defendant had performed a USPTO search prior to this lawsuit being filed, there is nothing on that website to indicate to Defendant that it was unlawfully interfering with Plaintiff’s trademark in Alabama.

³ For the same reasons, Plaintiff’s “deliberate and willful ignorance” argument is without merit. *See* Pl.’s Resp., p. 11.

⁴ Plaintiff provides ten “hits” from its own USPTO website search that it claims would have put Defendant on notice of Plaintiff’s ownership right to the Alfa trademark. However, nine of those “hits” show that Plaintiff registered for the trademark rights in February of 2002 – *after* Defendant had already incorporated as Alfa Mortgage. The only registration occurring prior to Defendant’s incorporation was for Alfa *Insurance*. *See* Pl.’s Resp., Ex. 4, Registration No. 2088673. However, that registration was for the design, words and letters associated with Alfa

D. Defendant's website is not enough to establish personal jurisdiction.

Plaintiff next asserts that Defendant's website, which permits an individual to apply for a loan on-line, suffices to establish personal jurisdiction in Alabama. *See* Pl.'s Resp., p. 12 *citing* *Zippo Mfg. Co. v. Zippo Dot Com*, 952 F. Supp. 1119 (W.D. Pa. 1997); *see also* *Thomas v. Mitsubishi Motor N. Am.*, 436 F. Supp. 2d 1250, 1255 (M.D. Ala. 2006) (stating that "Zippo advises that courts should evaluate whether the requisite degree of contact with the forum state exists based on the degree of interactivity of the website"); *Butler v. Beer Across Am.*, 83 F. Supp. 2d 1261, 1268 (N.D. Ala. 2000) (adopting the model set forth in *Zippo* to analyze personal jurisdiction in the context of internet websites). In *Zippo Mfg. v. Zippo Dot Com*, the Western District Court of Pennsylvania established the following slide scale analysis:

[T]he likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of the commercial activity that an entity conducts over the Internet. This sliding scale is consistent with well developed personal jurisdiction principles. At one end of the spectrum are situations where a defendant clearly does business over the Internet. If the defendant enters into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet, personal jurisdiction is proper. At the opposite end are situations where a defendant has simply posted information on an Internet Web site which is accessible to users in foreign jurisdictions. A passive Web site that does little more than make information available to those who are interested in it is not grounds for the exercise of personal jurisdiction. The middle ground is occupied by interactive Web sites where a user can exchange information with the host computer. In these cases, the exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information that occurs on the Web site.

Zippo Mfg. Co., 952 F. Supp. at 1124 (internal citations omitted). The court ultimately concluded that personal jurisdiction was proper in *Zippo* because the defendant had contracted with approximately three thousand Pennsylvania residents over the Internet, and had also entered into agreements with seven Internet access providers in Pennsylvania. *Id.* at 1125-26.

Insurance's logo; and, the registration was associated with "property and casualty insurance underwriting" – not mortgage services. *Id.*

Unlike the three thousand Pennsylvania residents and seven Pennsylvania access providers that contracted with the defendant over the Internet in *Zippo*, there is not a shred of evidence of Defendant having done any business in Alabama or with an Alabama resident. On the contrary, the evidence in this case establishes that Defendant “does not have, and has never had, any customers in Alabama.” See Def.’s Mot. to Dismiss, Ex. A, Shelton Decl., ¶ 5. Plaintiff does not refute this, and Plaintiff does not offer any evidence to show that any Alabama resident attempted to apply for a loan via Defendant’s website. Applying the sliding scale analysis set forth in *Zippo*, the “level of interactivity” occurring over Defendant’s website with Alabama is not sufficient to warrant personal jurisdiction. 952 F. Supp. at 1124.

The United States District Courts in Alabama that have addressed this issue are in accord with this analysis. In *Butler v. Beer Across Am.*, the Northern District held that personal jurisdiction was not proper over a non-resident Illinois defendant that sold beer to an Alabama resident over the Internet. See *Butler*, 83 F. Supp. 2d at 1268. In *Thomas v. Mitsubishi Motor N. Am.*, the Court found that personal jurisdiction did not exist when the defendant’s website was not used as a contact with the forum state related to the cause of action. See *Thomas*, 436 F. Supp. 2d at 1254-56. Consequently, Defendant’s website in this case is not sufficient to establish personal jurisdiction over Defendant in Alabama. See also *Robbins v. Yutopian Enters.*, 202 F. Supp. 2d 426, 430 (D. Md. 2002) (determining that defendant’s acceptance of orders for products over its website was of limited significance because forty-six transactions with forum residents “are not enough to establish general jurisdiction over the defendant....”); *Millennium Enters., Inc., v. Millennium Music, LP*, 33 F. Supp. 2d 907, 921-22 (D. Or. 1999) (finding that a website through which customers could purchase compact discs, request information, and join a discount club was not a basis for personal jurisdiction because no actions were purposefully directed at the forum state); *ESAB Group, Inc., v. Centricut, L.L.C.*, 34 F. Supp. 2d 323, 330 (D.S.C. 1999)

(concluding that a website with on-line order capability did not establish minimum contacts because no action was directed at the forum state); *Origin Instruments Corp., v. Adaptive Computer Sys., Inc.*, 1999 WL 76794 *4 (N.D. Tex. 1999) (noting that a moderate level of interactivity was possible on the defendant's website, but finding that this was not sufficient to establish personal jurisdiction because "there is no evidence in the record to establish that Defendant has been interacting with anyone in Texas through its web site"); *Coastal Video Communs. Corp. v. Staywell Corp.*, 59 F. Supp. 2d 562, 566, 571-72 (E.D. Va. 1999) (stating that neither specific nor general personal jurisdiction was warranted over the nonresident defendant solely on the basis of an interactive website); *Molnlycke Health Care AB v. Dumex Med. Surgical Prods. Ltd.*, 64 F. Supp. 2d 448, 452 (E.D. Pa. 1999) (noting that a small percentage of sales over a web site in the forum state was inadequate to constitute "continuous and systematic business within the forum state").

II. Even if the Court finds that minimum contacts exist, this Court's exercise of personal jurisdiction over Defendant would offend the traditional notions of fair play and substantial justice.

To determine whether the exercise of jurisdiction comports with fair play and substantial justice, the court considers all of the following factors: (1) the burden on the defendant; (2) the forum state's interest in overseeing the litigation; (3) the plaintiff's interest in obtaining convenient and effective relief; (4) the interstate judicial system's interests in efficiently resolving the controversy; and (5) the joint interests of the states in promoting basic social policies. *See Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476-77 (1985) *citing World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 292 (1985).

Plaintiff is dismissive of the disparity of resources between itself and Defendant. *See* Pl.'s Resp., p. 13. Plaintiff purports to be a financial services mega-conglomerate, with operations in twenty-four states and "billions of dollars in sales." *See* Compl., ¶¶ 8-11. In

contrast, Defendant is a privately-held company currently consisting of a single employee. *See* Def.'s Mot. to Dismiss, Ex. A, Shelton Decl., ¶ 3. The disparity of resources is real, the cost of litigating this action in Alabama is potentially ruinous for Defendant, and this burden is a factor that should be considered by this Court.

Moreover, Plaintiff fails to address Defendant's contention that (1) Indiana and Oregon have, at a minimum, an equal interest in resolving this dispute in their forum's courts; and (2) Plaintiff will be able to pursue the same relief it seeks in those states as it would in Alabama. Further, Plaintiff fails to establish the minimum contacts necessary under the effects test to provide this Court with personal jurisdiction over Defendant. Accordingly, this Court should find that it does not have personal jurisdiction over Defendant.

CONCLUSION

This Court does not have personal jurisdiction over the Defendant because Defendant does not have the requisite minimum contacts with the State of Alabama. The record shows that even under the *Calder* effects test, the minimum contacts requirement is not established because Defendant did not expressly or intentionally aim its conduct at the State of Alabama. To exercise personal jurisdiction over Defendant in Alabama would offend the traditional notions of fair play and substantial justice.

If Plaintiff has a valid claim against Defendant, it should bring its claim in a forum appropriate for personal jurisdiction. Alabama is not that forum. Defendant requests that this Court dismiss this suit for lack of personal jurisdiction.

Respectfully submitted by,

/s/ Bryan A. Coleman

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CERTIFICATE OF SERVICE

I hereby certify that on January 9, 2007, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification to the following:

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In The Matter Of:

*ALFA CORPORATION v.
OAO ALFA BANK, et al.*

*CORINA SHELTON
July 31, 2006*

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SHELTON, CORINA - Vol. 1



CORINA SHELTON

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF INDIANA

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ALFA CORPORATION,)
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Plaintiff,)
)
vs.)Case No.
)04 Civ. 08968 (KMW)
)
OAo ALFA BANK and)
ALFA-CAPITAL MARKETS (USA),)
INC.,)
)
Defendants.)
_____)

VIDEOTAPED DEPOSITION OF

CORINA SHELTON

Monday, July 31, 2006

Volume I

(Pages 1 - 51)

REPORTED BY: CYNTHIA A. PACINI, CSR #6117, RMR, CRR
(03-384235)

CORINA SHELTON

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<p>1 UNITED STATES DISTRICT COURT</p> <p>2 SOUTHERN DISTRICT OF INDIANA</p> <p>3 --oOo--</p> <p>4 ALFA CORPORATION,)</p> <p>5)</p> <p>6 Plaintiff,)</p> <p>7)</p> <p>8 vs.)Case No.</p> <p>9)04 Civ. 08968 (KMW)</p> <p>10)</p> <p>11 OAO ALFA BANK and)</p> <p>12 ALFA-CAPITAL MARKETS (USA),)</p> <p>13 INC.,)</p> <p>14)</p> <p>15 Defendants.)</p> <p>16 _____)</p> <p>17</p> <p>18 --oOo--</p> <p>19 BE IT REMEMBERED that pursuant to Subpoena</p> <p>20 and on Monday, July 31, 2006, commencing at 10:19</p> <p>21 a.m. thereof, at the Law Offices of Jones Day, 555</p> <p>22 California Street, 26th Floor, San Francisco,</p> <p>23 California, before me, Cynthia A. Pacini, a</p> <p>24 Certified Shorthand Reporter, Registered Merit</p> <p>25 Reporter and Certified Realtime Reporter, personally</p> <p>appeared</p> <p>CORINA SHELTON</p> <p>_____</p> <p>called as a witness by the Defendants, who, having</p> <p>been first duly sworn, was examined and testified as</p> <p>follows:</p>	<p>1 Jones Day New York, and I represent the defendants</p> <p>2 OAO Alfa Bank and Alfa Capital Markets, Inc.</p> <p>3 MR. BASOMBRIO: I'm Juan Basombrio, Dorsey</p> <p>4 & Whitney, for plaintiff Alfa Corporation.</p> <p>5 THE WITNESS: Corina Shelton, president of</p> <p>6 Alfa Mortgage, Incorporated.</p> <p>7 THE VIDEO OPERATOR: Thanks. Would the</p> <p>8 court reporter please swear in the witness.</p> <p>9 (Whereupon, the witness was sworn.)</p> <p>10 THE WITNESS: I do.</p> <p>11 EXAMINATION BY MS. CRADDOCK</p> <p>12 MS. CRADDOCK: Q. Thank you for coming.</p> <p>13 Could you just please state your name and address</p> <p>14 for the record, please?</p> <p>15 A. Yes. My name is Corina Shelton. My</p> <p>16 address is 4272 Terrabella Way, Oakland, California</p> <p>17 94619.</p> <p>18 Q. And also for the record, I want to make</p> <p>19 sure that you understand you had the right to have</p> <p>20 your attorney present at this deposition.</p> <p>21 A. Yes.</p> <p>22 Q. Okay. Thank you. Have you ever been</p> <p>23 deposed before?</p> <p>24 A. No.</p> <p>25 Q. All right. I'm going to just sort of step</p>

2 (Pages 2 to 5)

CORINA SHELTON

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1 you through the process.
 2 A. Okay.
 3 Q. What it is today, you're going to be here
 4 to testify on behalf of Alfa Mortgage, Incorporated,
 5 and I will ask you questions. You're under oath to
 6 answer them as truthfully and as accurately as
 7 possible?
 8 A. Okay.
 9 Q. Okay. It's important because the court
 10 reporter is making a written record of what we're
 11 saying today that you answer orally rather than
 12 nodding or shaking your head. All right?
 13 A. Okay.
 14 Q. If you need to take a break for any
 15 reason, just let me know, and we can take a break at
 16 any time.
 17 If you don't understand a particular
 18 question that I've asked, if you'll just tell me
 19 that you'd like me to restate the question, I'll be
 20 more than happy to do that.
 21 A. Okay.
 22 Q. Okay. And also if at some later point in
 23 the deposition, you happen to remember part of an
 24 answer to a question that was asked before and you
 25 would like to supplement your answer, you can feel

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1 free to remind me that you'd like to go back to that
 2 question --
 3 A. Okay.
 4 Q. -- and supplement your answer. That's not
 5 a problem.
 6 I'd like the court reporter to mark this
 7 first exhibit as Shelton one, please.
 8 (Whereupon, Shelton Exhibit 1 was marked
 9 for identification.)
 10 MS. CRADDOCK: Q. If you could just look
 11 at this exhibit, Ms. Shelton. Have you seen this
 12 document before?
 13 A. Yes, I have.
 14 Q. Okay. So you understand that if you turn
 15 to the third page, that this subpoena was requesting
 16 that you produce documents about these topics below?
 17 A. Yes.
 18 Q. And you have produced documents in
 19 response to that request?
 20 A. Yes.
 21 Q. And if you turn to the next page,
 22 Schedule B, you understand that you're here as a
 23 corporate representative of Alfa Mortgage,
 24 Incorporated --
 25 A. Yes.

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1 Q. -- to answer and address these issues?
 2 A. Yes.
 3 MR. BASOMBRI: I want to the object to
 4 the entirety of the deposition because none of the
 5 documents produced pursuant to the subpoena were
 6 turned over to us despite our request before the
 7 deposition began.
 8 MS. CRADDOCK: And I'd like the record to
 9 reflect that Ms. Shelton brought those documents to
 10 us this morning when she came for her deposition.
 11 MR. BASOMBRI: Those are all the
 12 documents you produced at once today?
 13 THE WITNESS: Yes, that's all.
 14 MR. BASOMBRI: All right. Then I have
 15 those.
 16 THE WITNESS: Okay.
 17 MS. CRADDOCK: Q. Could you please give
 18 me your educational background since high school?
 19 A. Basically high school is what I completed.
 20 I don't have any degrees further than that.
 21 Q. Okay.
 22 A. I went to school in Portland, Oregon, took
 23 college courses there, but never --
 24 Q. Okay. What was your job experience after
 25 high school?

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1 A. I started working at U.S. Bank in Portland
 2 in '89 as a bank teller, and then I went on to work
 3 with customer service and do home loans as far as
 4 equity and car loans. And so that's kind of how I
 5 got into the lending side.
 6 Q. And then after -- how long did you work at
 7 U.S. Bank?
 8 A. For about five years or so. And then I
 9 worked with a start-up commercial bank, Northern
 10 Bank of Commerce, and was doing loans there as well
 11 and customer service, and then I got into some real
 12 estate after that and started brokering loans
 13 shortly after.
 14 Q. When did you begin working at Northern
 15 Bank?
 16 A. Northern Bank of Commerce. I don't have
 17 the exact dates because I don't have my resume in
 18 front of me, but it was probably somewhere in, I
 19 would say, '95 --
 20 Q. Okay.
 21 A. -- roughly.
 22 Q. And how long did you work there?
 23 A. I worked there for two years.
 24 Q. And after you left there, you worked
 25 where?

3 (Pages 6 to 9)

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<p>1 A. I actually did medical sales for a short 2 while and then I started working with Century 21 as 3 a real estate agent. 4 Q. When did you begin working at Century 21, 5 do you remember? 6 A. Probably in maybe '96. 7 Q. And how long did you work there? 8 A. Not very long. Maybe like six months. 9 Did not like it. 10 Q. And where did you work after Century 21? 11 A. I worked with Majestic Mortgage out of 12 Portland, Oregon. 13 Q. And how long did you work with Majestic 14 Mortgage? 15 A. I worked with Majestic probably for a 16 couple years as well. 17 Q. And those years would have been? 18 A. From like '97 roughly to maybe '99. 19 Q. Okay. And then your next -- 20 A. Then I worked with Accredited Home Loans 21 as a lender rep, and I worked with them until about 22 2000, and then in 2000 is when I moved to Indiana, 23 at the end of 2000 and started Alfa in March of 24 2001. 25 Q. And you are currently employed by Alfa?</p>	<p>1 documents that you produced to us this morning; is 2 that correct? 3 A. Yes. 4 Q. Could you please go through each page and 5 explain what each one of these documents is? 6 A. The first page of this is a certificate of 7 incorporation showing when the company was 8 incorporated, March 20th of 2001. 9 Q. Okay. 10 A. And the second page would be the articles 11 of incorporation again stating -- showing when the 12 company, Alfa Mortgage, Incorporated, was 13 incorporated on the 20th of March, 2001. And the 14 third item then will show also the licensing, when 15 we licensed as a mortgage broker for Alfa Mortgage. 16 Q. Is there a date on this document? 17 A. I don't know if there is. It's dated, but 18 I can't really see it because it's -- it looks to me 19 like it may have been dated the 25th. 20 Q. The 25th of? 21 A. Of March. And it would have been 2001. 22 And then the next items basically show the board of 23 directors, that I am president, secretary, 24 treasurer. I'm the sole shareholder of Alfa 25 Mortgage, Incorporated, and that's basically all the</p>
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<p>1 A. I am. 2 Q. And your position is? 3 A. President. 4 Q. And you understand that when I say Alfa, I 5 mean Alfa Mortgage? 6 A. Alfa Mortgage, Incorporated. 7 Q. Thank you. And what are your current 8 responsibilities as president? 9 A. Taking care of all the office. I don't 10 have -- it's a very small brokerage, so basically 11 anything that has to do with Alfa Mortgage I take 12 care of. So, you know, payrolls, and originating 13 mortgage loans. 14 Q. Anything else? 15 A. Taking care of issues like this. 16 Q. Do you make decisions about the promotion 17 of the company? 18 A. I do. 19 Q. How long have you been president of Alfa? 20 A. Since March of 2001. 21 MS. CRADDOCK: I'll ask the court reporter 22 to mark this exhibit as Shelton 2, please. 23 (Whereupon, Shelton Exhibit 2 was marked 24 for identification.) 25 MS. CRADDOCK: Q. These documents are the</p>	<p>1 rest of the documents show. 2 Q. Okay. Are you still the sole shareholder 3 of Alfa Mortgage, Incorporated? 4 A. Yes, I am. 5 Q. How did you choose the name Alfa Mortgage, 6 Incorporated? 7 A. Well, choosing a name is tough because 8 you're always thinking of what you're going to start 9 a company with. And I was sitting there one day 10 thinking of Alfa and in my country, in Romania, an 11 Alfa is the beginning, which is in a lot of -- we 12 all know as Alfa. So it's a beginning. And I 13 wanted an A name. For advertising purposes, you 14 want to be at the beginning, and so that's where I 15 came up with Alfa. 16 Q. How did you choose the spelling? 17 A. Well, that's the way that we spell it is 18 A-l-f-a. And at the time I was actually going to 19 expand on that and make each letter stand for 20 something. And so I was thinking of it like 21 appreciation, loyalty, fulfillment, achievement, and 22 then I was going to go from that, but I never did 23 much with that. 24 Q. Have you always used the name Alfa 25 Mortgage, Incorporated?</p>

4 (Pages 10 to 13)

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<p>1 A. Yes.</p> <p>2 Q. When you started Alfa in March of 2001,</p> <p>3 what products did you offer or services?</p> <p>4 A. It was mortgage loans, so home loans for</p> <p>5 purchase or refinance.</p> <p>6 Q. Any other products or services at that</p> <p>7 time?</p> <p>8 A. No.</p> <p>9 Q. Okay. When did you begin offering</p> <p>10 mortgages?</p> <p>11 A. At -- in 2001 when the company started.</p> <p>12 Q. In March of 2001?</p> <p>13 A. Um-hum.</p> <p>14 Q. Did you have an office at that time?</p> <p>15 A. I was working out of my home.</p> <p>16 Q. And where was that?</p> <p>17 A. At -- I think it's 10456 Power Drive in</p> <p>18 Carmel.</p> <p>19 Q. Carmel?</p> <p>20 A. Indiana, 46033.</p> <p>21 Q. How many employees did you have there?</p> <p>22 A. It was just myself and then I hired a</p> <p>23 processor shortly after. So there was two.</p> <p>24 Q. What was the processor's duties?</p> <p>25 A. All she was doing was inputting files and</p>	<p>1 some flyers. We did some mailers. And that's about</p> <p>2 it.</p> <p>3 Q. Did you have cards?</p> <p>4 A. Business cards?</p> <p>5 Q. Yes.</p> <p>6 A. Yes.</p> <p>7 Q. Did you have stationery with the name Alfa</p> <p>8 Mortgage?</p> <p>9 A. Yes.</p> <p>10 Q. Your business cards also had --</p> <p>11 A. Yes.</p> <p>12 Q. -- the name Alfa Mortgage?</p> <p>13 A. Um-hum. And we had pens and Post-It notes</p> <p>14 and --</p> <p>15 Q. What other sorts of things?</p> <p>16 A. T-shirts. I'm trying to think of what</p> <p>17 else. Water bottles. I'm sure we had other</p> <p>18 marketing things. I can't think of exactly what we</p> <p>19 had.</p> <p>20 Q. Who would you give these items to?</p> <p>21 A. We would give them to prospect customers.</p> <p>22 We had -- you know, we did some events, like having</p> <p>23 a booth at -- one of the ones that we did a few</p> <p>24 years in a row was at 24-Hour Fitness. Every year</p> <p>25 they had tables and some insurance companies, and I</p>
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<p>1 filing and organizing paperwork. She didn't have</p> <p>2 any contact with customers.</p> <p>3 Q. Okay. And when did you hire her, do you</p> <p>4 remember?</p> <p>5 A. Roughly at the end of '01, maybe beginning</p> <p>6 of '02.</p> <p>7 Q. Did you do advertising when you first</p> <p>8 began?</p> <p>9 A. I did.</p> <p>10 Q. What kind of advertising?</p> <p>11 A. I was running my ads in the Indianapolis</p> <p>12 paper, the Star. I was running my rates in the</p> <p>13 mortgage table.</p> <p>14 Q. How often would you run those ads?</p> <p>15 A. Every Sunday.</p> <p>16 Q. When did you start running that ad?</p> <p>17 A. Shortly after I started the company, so</p> <p>18 maybe June of '01.</p> <p>19 Q. Where in the paper would the ads have been</p> <p>20 printed?</p> <p>21 A. They were in the mortgage table of the</p> <p>22 Indianapolis Star.</p> <p>23 Q. Did you do any other sort of advertising?</p> <p>24 A. No. Pretty much that was our main source</p> <p>25 of advertisement aside from, you know, sending out</p>	<p>1 was the mortgage company that was there. Basically</p> <p>2 we spent an entire day just passing out flyers to</p> <p>3 health members.</p> <p>4 Q. 24-Hour Fitness was located where?</p> <p>5 A. Not 24-Hour Fitness. Lifetime Fitness.</p> <p>6 I'm sorry.</p> <p>7 Q. Lifetime, where is that located?</p> <p>8 A. It's in Indianapolis, Indiana. There's</p> <p>9 only one location there.</p> <p>10 Q. How would you distribute your flyers?</p> <p>11 A. Handed them out.</p> <p>12 Q. Out at events such as --</p> <p>13 A. At events, like we did the Home and Garden</p> <p>14 Show and -- so --</p> <p>15 Q. The Home and Garden Show was also in</p> <p>16 Indianapolis?</p> <p>17 A. Yes, like the Home Improvement. That was</p> <p>18 in Indiana. Yes. We did one of those shows, I</p> <p>19 think, in 2003.</p> <p>20 Q. Do you remember when you did the Lifetime</p> <p>21 Fitness event?</p> <p>22 A. I think I did one in 2003 and maybe 2004.</p> <p>23 We did it two years in a row, so it was either '02</p> <p>24 and '03 or '03 and '04.</p> <p>25 Q. Did you do any other sorts of events?</p>

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<p>1 A. No, we didn't.</p> <p>2 Q. Did you have a budget that you -- for your</p> <p>3 advertising and promotion?</p> <p>4 A. We didn't really. We just kind of</p> <p>5 budgeted, at the time, that something came up. We</p> <p>6 had other sources of advertisement that we did when</p> <p>7 it came to -- we did a few golf outings and, you</p> <p>8 know, donated money to fundraising events that they</p> <p>9 would then put our name in their advertisements.</p> <p>10 Q. Would you also distribute some of these</p> <p>11 promotional items at the golf outings and the Home</p> <p>12 and Garden show?</p> <p>13 A. Sometimes we would. It just all depended</p> <p>14 on -- at the Home and Garden Home Improvement show,</p> <p>15 absolutely we did.</p> <p>16 Q. So you've stated that you first began</p> <p>17 business in Indianapolis. Did you subsequently</p> <p>18 expand your business to include other places?</p> <p>19 A. Yes. I licensed in Portland, Oregon, and</p> <p>20 then also in California, I reserved -- I was going</p> <p>21 to start out here, haven't officially finished that,</p> <p>22 but -- and then we were licensed in Minnesota for</p> <p>23 awhile and also I had started in Illinois the</p> <p>24 process and we got halfway through and then backed</p> <p>25 out.</p>	<p>1 Q. When were you registered in Illinois?</p> <p>2 A. Around the same -- 2003.</p> <p>3 Q. And you're not currently registered in</p> <p>4 Illinois; is that correct?</p> <p>5 A. No.</p> <p>6 Q. For these other states, did you also do</p> <p>7 promotional activities in those states?</p> <p>8 A. No.</p> <p>9 Q. No. What products and services do you</p> <p>10 currently offer?</p> <p>11 A. Any -- a wide range of home loans, so from</p> <p>12 first mortgages, second mortgages, home equities,</p> <p>13 lines of credits, purchases, refinances.</p> <p>14 Q. Anything else?</p> <p>15 A. Well, anything that has to do with a home</p> <p>16 mortgage.</p> <p>17 MS. CRADDOCK: Could you mark this Exhibit</p> <p>18 Shelton 3, please.</p> <p>19 (Whereupon, Shelton Exhibit 3 was marked</p> <p>20 for identification.)</p> <p>21 MS. CRADDOCK: Q. Do you recognize this</p> <p>22 document?</p> <p>23 A. Yes, I do. It's off of our website.</p> <p>24 Q. Okay. And could you tell me what this</p> <p>25 particular page of your website is intended to do?</p>
Page 19	Page 21
<p>1 Q. Are there any other places that you've</p> <p>2 been licensed in?</p> <p>3 A. No. I mean the only places I've ever been</p> <p>4 bonded -- licensed and bonded in was Indiana,</p> <p>5 Minnesota, Oregon, California and Illinois.</p> <p>6 Q. Are you still currently licensed in</p> <p>7 Indiana?</p> <p>8 A. In Indiana, I am.</p> <p>9 Q. When did you become licensed in Portland?</p> <p>10 A. Oh, maybe 2002.</p> <p>11 Q. Are you still currently licensed in</p> <p>12 Portland?</p> <p>13 A. I'm still currently bonded, and I am in</p> <p>14 the process of renewing my licensing there.</p> <p>15 Q. Okay. Just to clarify: You're currently</p> <p>16 in the process of becoming licensed in California?</p> <p>17 A. Well, I started the whole licensing here</p> <p>18 as far as, you know, getting the name registered and</p> <p>19 that's as far as I got.</p> <p>20 Q. Okay. In Minnesota, you're -- when did</p> <p>21 you become registered?</p> <p>22 A. I believe in 2003.</p> <p>23 Q. And are you currently registered?</p> <p>24 A. We are registered. I don't believe we're</p> <p>25 bonded there anymore.</p>	<p>1 A. Basically just shows two customers, or</p> <p>2 whoever, it has all kinds of loans that we can do.</p> <p>3 Q. So when you stated before any sort of loan</p> <p>4 that's associated with mortgages, is this the sort</p> <p>5 of loans?</p> <p>6 A. This is, yes.</p> <p>7 Q. Is this a comprehensive list of the</p> <p>8 products that you currently offer?</p> <p>9 A. It pretty much is, yeah.</p> <p>10 Q. By pretty much, are there others that</p> <p>11 aren't listed here?</p> <p>12 A. No, I don't see any that wouldn't -- that</p> <p>13 are not.</p> <p>14 Q. Okay. Are there loans that are listed</p> <p>15 here that you don't currently offer?</p> <p>16 A. No, there aren't.</p> <p>17 Q. Okay. Thank you. Do you have additional</p> <p>18 offices?</p> <p>19 A. No.</p> <p>20 Q. Do you still have your office in</p> <p>21 Indianapolis?</p> <p>22 A. I do.</p> <p>23 Q. How many employees does Alfa Mortgage</p> <p>24 currently have?</p> <p>25 A. Currently it's just myself and one other</p>

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<p style="text-align: right;">Page 22</p> <p>1 employee.</p> <p>2 Q. What's that employee do?</p> <p>3 A. Just originates home loans. Loan officer.</p> <p>4 Q. So they do interact with clients?</p> <p>5 A. They interact with clients, yeah.</p> <p>6 Q. And where are they located?</p> <p>7 A. In Indianapolis, Indiana.</p> <p>8 Q. Who is that employee?</p> <p>9 A. Eric Iacabozzi.</p> <p>10 Q. Could you spell his last name, please?</p> <p>11 A. I-a-c-a-b-o-z-z-i.</p> <p>12 Q. Does he have cards with Alfa Mortgage?</p> <p>13 A. Yes, he does.</p> <p>14 Q. Does he have letterhead with the company's</p> <p>15 name?</p> <p>16 A. Yes, he does.</p> <p>17 Q. We may have already covered this, but</p> <p>18 could you tell me what your current promotional</p> <p>19 activities are for Alfa Mortgage?</p> <p>20 A. As far as what we do for advertisements?</p> <p>21 Q. Yes.</p> <p>22 A. We still currently just do mailers as far</p> <p>23 as send out flyers. We haven't done any newspaper</p> <p>24 advertisements probably for about a year at least.</p> <p>25 So that's really telemarketing calls and mailers.</p>	<p style="text-align: right;">Page 24</p> <p>1 have a relationship in Avon or if we have it -- I</p> <p>2 mean, we will distribute items and drop something</p> <p>3 off no matter where we go, so --</p> <p>4 Q. How many of these relationships do you</p> <p>5 have?</p> <p>6 A. Well, our largest relationship is one of</p> <p>7 the CP Morgan, which is a big builder in</p> <p>8 Indianapolis, Indiana. So some of the sales</p> <p>9 counselors there will receive information. And then</p> <p>10 it just depends on, you know, if the loan officer</p> <p>11 has a relationship with someone or they get a new</p> <p>12 contact, they will go and meet the person and --</p> <p>13 Q. Do you have an estimate of how many</p> <p>14 offices that you distribute your material to?</p> <p>15 A. No, I don't.</p> <p>16 MS. CRADDOCK: Could you mark this Shelton</p> <p>17 Exhibit 4, please.</p> <p>18 (Whereupon, Shelton Exhibit 4 was marked</p> <p>19 for identification.)</p> <p>20 MS. CRADDOCK: Q. Do you recognize this</p> <p>21 page?</p> <p>22 A. Um-hum. That's off of our website as</p> <p>23 well.</p> <p>24 Q. And what is this page?</p> <p>25 A. It's -- if a borrower wants to apply</p>
<p style="text-align: right;">Page 23</p> <p>1 Q. How do you get the names for your mailers?</p> <p>2 A. I have purchased, you know, lists of names</p> <p>3 from lead companies and same as if, you know, for</p> <p>4 telemarketing calls. We've done that as well. And,</p> <p>5 you know, a lot of it is past clients that we have.</p> <p>6 Q. Do you still distribute the promotional</p> <p>7 items that you had mentioned before?</p> <p>8 A. We do. We distribute those, you know, to</p> <p>9 customers we have at closings. We give a pen out</p> <p>10 or, you know, Post-Its. And if for some reason I</p> <p>11 make a call to an office, I will drop things off</p> <p>12 like to a real estate office or --</p> <p>13 Q. So you work with particular real estate</p> <p>14 offices as well?</p> <p>15 A. We have some realtors that we work with</p> <p>16 and then we've had some, you know, builders that</p> <p>17 we've worked with that we will distribute items to</p> <p>18 their offices.</p> <p>19 Q. Where are these realtors and builders</p> <p>20 located?</p> <p>21 A. In Indiana.</p> <p>22 Q. Where in Indiana?</p> <p>23 A. Mostly in Indianapolis.</p> <p>24 Q. But where else? You say mostly, so --</p> <p>25 A. Well, I mean, we have, you know, if we</p>	<p style="text-align: right;">Page 25</p> <p>1 online, they go in and put an application.</p> <p>2 Q. Have you had borrowers apply online?</p> <p>3 A. Yes, we have.</p> <p>4 Q. Approximately how many?</p> <p>5 A. Oh, actually quite a few. I don't have a</p> <p>6 number.</p> <p>7 Q. More than ten?</p> <p>8 A. Oh, more than ten, definitely.</p> <p>9 Q. More than 20?</p> <p>10 A. More than 50.</p> <p>11 Q. More than 50. Could you explain to me how</p> <p>12 this process would work for applying for a loan on</p> <p>13 line?</p> <p>14 A. Yes. You would go in and you would</p> <p>15 register and apply online and then once the</p> <p>16 application is submitted, we are notified via e-mail</p> <p>17 that an application has come into our website, and</p> <p>18 we download the application into our database and</p> <p>19 then basically we contact the borrowers that we</p> <p>20 received their application.</p> <p>21 Q. And then what happens next?</p> <p>22 A. Then we start the loan process if we agree</p> <p>23 on terms.</p> <p>24 MS. CRADDOCK: Would you mark this Shelton</p> <p>25 Exhibit 5?</p>

7 (Pages 22 to 25)

CORINA SHELTON

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1 (Whereupon, Shelton Exhibit 5 was marked
2 for identification.)
3 MS. CRADDOCK: Q. Ms. Shelton, do you
4 recognize this page?
5 A. No. Is that on our website?
6 Q. Yes.
7 A. Oh.
8 Q. I'll represent to you that if I click on
9 "new user sign up" --
10 A. Okay.
11 Q. -- this is the page that comes up?
12 A. This comes up. Okay. They've made some
13 changes to the site, so some of the screens have
14 changed just with the updates of the website. So --
15 Q. One of the things that I noticed about
16 this page is in the center of the page, state.
17 A. Um-hum.
18 Q. There's a pull-down menu --
19 A. Okay.
20 Q. -- where you can select the state.
21 A. Um-hum.
22 Q. How does that work for the states for
23 which you're licensed?
24 A. Well, I'm assuming that the pull-down is
25 if a borrower's applying online from another -- you

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1 know, depends on where they're applying from.
2 Q. Okay.
3 A. So that's what -- that pull-down is going
4 to be there as a default.
5 Q. Do you get applications from individuals
6 applying from --
7 A. I have had roughly -- I've had a couple
8 which -- some individuals applying from Texas, which
9 we don't do loans in Texas.
10 Q. Okay.
11 A. And I would say that that's probably the
12 only state that we've ever had.
13 Q. Okay. Thank you. When did you put your
14 website on the Internet?
15 A. Well, it was on the Internet -- the
16 website was in existence probably sometime in 2001,
17 and then we did some changes to it back in 2003, but
18 it's been on the Internet since '01.
19 Q. What sort of changes in 2003?
20 A. We just updated the site.
21 Q. Do you have a means for tracking how many
22 hits or how many visitors you have to your site?
23 A. No.
24 Q. Do people contact you by e-mail because of
25 your site?

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1 A. Sometimes they do.
2 Q. Do you use any other sites to refer people
3 to your website?
4 A. No.
5 Q. No.
6 A. I will go back to that. I have with SBC,
7 the online Yellow Pages, I know that if you went to
8 that, I believe that there is a link to our site
9 from that.
10 Q. Okay.
11 A. And I know it was like that in the past.
12 I'm not sure exactly if it's still that way.
13 Q. Okay.
14 A. So that would be the only other source as
15 far as online where somebody could have gone through
16 a different site to access our web.
17 Q. Do any of the realtors or builders that
18 you have relationships with provide links to your
19 website?
20 A. No.
21 Q. In those relationships, do those builders
22 or realtors, do they refer people to you?
23 A. Yes.
24 Q. Yes?
25 A. Um-hum.

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1 Q. How many referrals do you get
2 approximately a month from --
3 A. Oh, probably two, three.
4 Q. Okay.
5 A. I mean, it could be more. Depends on --
6 Q. Could you explain a little bit about once
7 someone applies for a loan with you, what the next
8 steps are in finding a mortgage for them?
9 A. Well, once somebody applies for a loan, we
10 have to establish their credit strength. So, you
11 know, we look at their credit history. We need to
12 find out what kind of loan they're looking for. Are
13 they buying something? Are they -- and, you know,
14 from that point forward, we collect their income
15 documentation, send what we need to preapprove them,
16 and go from there. So --
17 Q. And then what happens next though?
18 A. Then we submit their files, once we agree,
19 okay, this is what they want. We submit the files
20 to a lender, an investor of ours, for approval.
21 Q. Do you use more than one lender?
22 A. Yes, we do.
23 Q. How many lenders do you use?
24 A. Oh, we have probably 50 lenders or more.
25 We have access to a lot of lenders.

8 (Pages 26 to 29)

CORINA SHELTON

<p style="text-align: right;">Page 30</p> <p>1 Q. How do you have access to a lot of</p> <p>2 lenders?</p> <p>3 A. Well, anybody that's on the -- wholesales</p> <p>4 mortgage loans, we have access to use.</p> <p>5 Q. I'm sorry. Can you explain what wholesale</p> <p>6 mortgage loans --</p> <p>7 A. As far as Bank of America, for instance,</p> <p>8 they have a wholesale department which we broker our</p> <p>9 loans through their wholesale. That's what the</p> <p>10 wholesale -- they have retail that they originate</p> <p>11 their own in-house loans through, and then they also</p> <p>12 wholesale, which the brokers use the wholesale side.</p> <p>13 And all the investors are like that.</p> <p>14 Q. There's a website, a wholesale --</p> <p>15 A. No. There's no websites, no.</p> <p>16 Q. So how do you -- how did you develop</p> <p>17 relationships with these lenders?</p> <p>18 A. They walk in and drop their flyers off</p> <p>19 most of the time or they call you. You get ten</p> <p>20 calls a day from them sometimes. So that's how you</p> <p>21 establish relationships.</p> <p>22 A lot of it is word of mouth. You hear</p> <p>23 from other brokers. These lenders offer these great</p> <p>24 programs or this one's got that. This one's got</p> <p>25 that. And then you hear that and then you get sent</p>	<p style="text-align: right;">Page 32</p> <p>1 Q. Hundreds. Are these yearly gatherings?</p> <p>2 A. Yearly gatherings, yeah. They have</p> <p>3 monthly networking events which maybe you get 50, 60</p> <p>4 brokers.</p> <p>5 Q. Was that the networking night that you --</p> <p>6 A. That was the networking night.</p> <p>7 Q. Do you distribute your promotional</p> <p>8 materials at any of these events?</p> <p>9 A. Oh, just business cards usually.</p> <p>10 Q. Do you belong to any other professional</p> <p>11 associations?</p> <p>12 A. No. We were members of the Chamber,</p> <p>13 Better Business Bureau, but I believe those have</p> <p>14 expired, and I don't know if we renewed.</p> <p>15 Q. Okay. Do you attend any other trade</p> <p>16 shows?</p> <p>17 A. No. I mean, I attend trade shows. I</p> <p>18 attend the mortgage brokers trade shows and usually</p> <p>19 like the home improvement shows.</p> <p>20 Q. For the Association of Mortgage Brokers,</p> <p>21 is that meeting just in Indiana? Is this the group</p> <p>22 in Indiana or is it all?</p> <p>23 A. Well, they have a national one, but in</p> <p>24 Indiana, they have the Indianapolis Association of</p> <p>25 Mortgage Brokers that have the networking events.</p>
<p style="text-align: right;">Page 31</p> <p>1 information every day from investors.</p> <p>2 Q. So they're soliciting?</p> <p>3 A. They're soliciting.</p> <p>4 Q. And how are they aware of you and your</p> <p>5 company?</p> <p>6 A. They probably find out from the Secretary</p> <p>7 of State who is licensed and so a lot of it maybe is</p> <p>8 that way, as well as word of mouth again from other</p> <p>9 brokers or networking events where you meet some of</p> <p>10 these investors and lenders.</p> <p>11 Q. Can you tell me about these networking</p> <p>12 events?</p> <p>13 A. In Indiana, they have a networking night</p> <p>14 once a month where realtors and builders and</p> <p>15 mortgage professionals get together and basically</p> <p>16 network. And then we also have, you know, like the</p> <p>17 mortgage conferences once a year in Indiana.</p> <p>18 There's golf outings that happen with the</p> <p>19 Association of Mortgage Brokers. And it's probably</p> <p>20 one of the biggest networking between realtors and</p> <p>21 mortgage brokers.</p> <p>22 Q. The Association of Mortgage Brokers is?</p> <p>23 A. Um-hum.</p> <p>24 Q. How many attend these --</p> <p>25 A. Oh, quite a few. Hundreds.</p>	<p style="text-align: right;">Page 33</p> <p>1 Q. Do you attend both?</p> <p>2 A. Yes.</p> <p>3 Q. How long have you attended both?</p> <p>4 A. Oh, well, in Indiana just since I've been</p> <p>5 there from 2001, but the other ones, the national</p> <p>6 broker conventions and events I've attended since</p> <p>7 '90.</p> <p>8 Q. Do you attend every year?</p> <p>9 A. Yes.</p> <p>10 Q. Are there any other networking events that</p> <p>11 you attend?</p> <p>12 A. No.</p> <p>13 Q. You said before that you have</p> <p>14 relationships with approximately 50 lenders?</p> <p>15 A. Um-hum.</p> <p>16 Q. Can you -- can you name a few of these</p> <p>17 lenders, some of the larger lenders?</p> <p>18 A. Yeah. Like Wells Fargo, Citibank,</p> <p>19 National City, Accredited Home Lenders. I don't</p> <p>20 know how many you want me to name, but --</p> <p>21 Q. Just some of the larger banks.</p> <p>22 A. Okay. Like Fremont Investments,</p> <p>23 Countrywide, Washington Mutual.</p> <p>24 Q. Are these banks that you've used since</p> <p>25 Alfa Mortgage has begun?</p>

9 (Pages 30 to 33)

CORINA SHELTON

<p style="text-align: right;">Page 34</p> <p>1 A. Yes.</p> <p>2 Q. Are most of your lenders lenders that</p> <p>3 you've had relationships with since the beginning of</p> <p>4 Alfa Mortgage?</p> <p>5 A. Yes.</p> <p>6 Q. Do they ever have promotional events that</p> <p>7 you attend?</p> <p>8 A. No, not -- I don't usually attend any of</p> <p>9 their events. Once in a while they do and, you</p> <p>10 know, training, seminars or -- I have attended</p> <p>11 those.</p> <p>12 Q. Um-hum. You attend those as a</p> <p>13 representative of Alfa Mortgage?</p> <p>14 A. Yes.</p> <p>15 Q. Would you like to take a short break?</p> <p>16 A. No. It's fine.</p> <p>17 Q. Do you have a target market for your</p> <p>18 clients?</p> <p>19 A. The entire state of Indiana is a target</p> <p>20 market.</p> <p>21 Q. Have you made loans -- have you made loans</p> <p>22 in areas other than, say, the metropolitan area of</p> <p>23 Indianapolis?</p> <p>24 A. Yes.</p> <p>25 Q. Where else?</p>	<p style="text-align: right;">Page 36</p> <p>1 Q. But you aren't planning to expand to other</p> <p>2 states?</p> <p>3 A. No. Possibly in Oregon as well and -- I</p> <p>4 mean, I had plans of expanding in California, but I</p> <p>5 also need the time to do all of my educational</p> <p>6 requirements and everything, so --</p> <p>7 Q. Okay.</p> <p>8 A. -- that's one of the reasons for my delay</p> <p>9 here.</p> <p>10 Q. Do you have plans to expand the products</p> <p>11 that you offer in Indiana?</p> <p>12 A. No, I do not.</p> <p>13 Q. Could you tell me approximately how many</p> <p>14 mortgages you service in 2005?</p> <p>15 A. Well, we don't service any of our</p> <p>16 mortgages because they're all serviced by --</p> <p>17 Q. The lenders?</p> <p>18 A. -- our investors, correct.</p> <p>19 Q. How many mortgages did you -- would the</p> <p>20 correct term be originate?</p> <p>21 A. Maybe 50.</p> <p>22 Q. 50. And how many in 2004?</p> <p>23 A. Oh, probably maybe 100.</p> <p>24 Q. In 2003?</p> <p>25 A. At least the same.</p>
<p style="text-align: right;">Page 35</p> <p>1 A. I can't say from the top of my head where,</p> <p>2 but I mean like two, three hours out of Indiana,</p> <p>3 we've made loans.</p> <p>4 Q. When you were licensed in other states,</p> <p>5 were you successful in making loans there?</p> <p>6 A. No. One of the only states that we really</p> <p>7 were originating out of is Oregon.</p> <p>8 Q. Oregon?</p> <p>9 A. Yeah.</p> <p>10 Q. And you made loans?</p> <p>11 A. We made loans in Oregon.</p> <p>12 Q. What was the time period that you were</p> <p>13 making loans in Oregon?</p> <p>14 A. Probably two, three years.</p> <p>15 Q. Two or three years -- let's see -- and I</p> <p>16 have that you began mortgage lending in Oregon in</p> <p>17 2002?</p> <p>18 A. '02, um-hum.</p> <p>19 Q. Do you have any plans to expand your areas</p> <p>20 of operation?</p> <p>21 A. No, I don't. Just in Indianapolis I had</p> <p>22 purchased an office building about a year ago, so</p> <p>23 I've been doing a lot of renovating to that and have</p> <p>24 been planning on expanding that office with more</p> <p>25 employees.</p>	<p style="text-align: right;">Page 37</p> <p>1 Q. 100?</p> <p>2 A. I don't have the numbers, but it would be</p> <p>3 at least that.</p> <p>4 Q. Does your employee also attend these</p> <p>5 professional organizations --</p> <p>6 A. Yes.</p> <p>7 Q. -- and associations? Are there any</p> <p>8 additional networking events he attends that you</p> <p>9 don't?</p> <p>10 A. No, not that I can think of. I mean, he's</p> <p>11 welcome to attend any networking events he wants,</p> <p>12 but I don't know what he does.</p> <p>13 Q. Have you ever done any radio promotion?</p> <p>14 A. No.</p> <p>15 Q. Any television promotion?</p> <p>16 A. No.</p> <p>17 Q. Had you ever heard of Alfa Corporation?</p> <p>18 A. No.</p> <p>19 Q. Prior to this, have they contacted you?</p> <p>20 A. No.</p> <p>21 MS. CRADDOCK: No. Okay. I'd like to</p> <p>22 take about a five-minute break.</p> <p>23 THE VIDEO OPERATOR: Off the record. The</p> <p>24 time is 11:05.</p> <p>25 (Recess taken.)</p>

10 (Pages 34 to 37)

CORINA SHELTON

<p style="text-align: right;">Page 38</p> <p>1 THE VIDEO OPERATOR: On the record. The 2 time is 11:11. 3 MS. CRADDOCK: Q. I just have a few more 4 questions for you. 5 A. Okay. 6 Q. When you're processing someone's loan 7 application, do you subscribe to any services as far 8 as how to determine their credit rating? 9 A. Yes. I have a company that we use to pull 10 their credit through, which is Associated Credit out 11 of Medford, Oregon. 12 Q. And that's a service you subscribe to? 13 A. That's a service that we pay for. 14 Q. And have you used them since Alfa Mortgage 15 began? 16 A. Since I -- yes. 17 Q. Are there any other sorts of services you 18 subscribe to as a corporation? 19 A. Yes. Our origination software that we use 20 which we can run our approvals through that does 21 underwriting through our investor sites, et cetera, 22 is with Genesis, and they're out of California. 23 Q. Okay. 24 A. Encompass the same thing. I remembered -- 25 I believe I gave you the address from where I opened</p>	<p style="text-align: right;">Page 40</p> <p>1 8888 Keystone Crossing, but then we'll have that 2 location as well. 3 Q. Is that also located in Indiana? 4 A. It's in Indianapolis. 5 Q. Do you have the address for that? 6 A. 10455 and 10499 College Avenue in 7 Indianapolis, and I don't know the zip. 8 Q. Okay. And, I'm sorry, did you say when 9 you were planning to open this office? 10 A. Within the next few months. I was hoping 11 that it would already be opened by now, but living 12 here and working there is not as easy as you think. 13 Q. Will Eric be at one office and you will be 14 at another? 15 A. Eric will be moving into that office at 16 10455. 17 Q. About how many additional employees do you 18 expect to -- 19 A. Well, I've ran some advertisements as far 20 as trying to hire some new employees, and I did some 21 interviews a couple months back and haven't really 22 found -- have some candidates, but haven't hired. 23 Q. How did you run those advertisements? 24 A. Just ran the ads in the paper. 25 Q. In the Star?</p>
<p style="text-align: right;">Page 39</p> <p>1 Alfa was -- it was 10560 Power, not 10450. 2 Q. Is that also your current office address? 3 A. No. That was my home address at the time 4 and then I leased an office space out of the 8888 5 Keystone Crossing, which is currently the address 6 that we still use. 7 Q. And when did you lease that office? 8 A. Probably in 2002. 9 Q. In 2002? 10 A. Um-hum. 11 Q. Do you have a sign in the front of your 12 office? 13 A. No. It's in a tall building like this, so 14 you can't put a sign. 15 Q. Out front. Is there a sign on the door? 16 A. There's a sign in the lobby when you 17 enter. 18 Q. Okay. 19 A. The directory. And then we intend to put 20 a sign on our building that we purchased because it 21 has an outdoor sign. 22 Q. When do you expect to open that office? 23 A. Well, as soon as everything is done. 24 We've kind of been moving things in. So it will be 25 an additional office. We're still going to keep the</p>	<p style="text-align: right;">Page 41</p> <p>1 A. In the Star. 2 Q. And those ads would say that they were 3 going to work for Alfa Mortgage? 4 A. Yes, um-hum. 5 MS. CRADDOCK: I don't have any further 6 questions. 7 EXAMINATION BY MR. BASOMBRIO 8 MR. BASOMBRIO: Q. Okay. I have a few. 9 I'm Juan Basombrio. I'm the lawyer for Alfa 10 Corporation. 11 A. Yes. 12 Q. I had a few questions for you. 13 A. Okay. 14 Q. Do you have a lawyer in Indianapolis? 15 A. I do. 16 Q. What's his name or her name? 17 A. Bradley Cohen. 18 Q. Is he with a firm? 19 A. He's with a firm. Cohen, Garelick & 20 Glazier. 21 Q. And is that in Indianapolis? 22 A. In Indianapolis. They're actually in the 23 8888 Keystone Crossing building as well. 24 Q. You said you live here in Oakland now? 25 A. Yes.</p>

11 (Pages 38 to 41)

CORINA SHELTON

Page 42	Page 44
<p>1 Q. What's your phone number here, please?</p> <p>2 A. (510)336-1977.</p> <p>3 Q. Do you still have a residence in Indiana?</p> <p>4 A. No.</p> <p>5 Q. Prior to choosing the name Alfa Mortgage,</p> <p>6 did you do a trademark search?</p> <p>7 A. Yes, I did, with the State of Indiana.</p> <p>8 Q. Only in the State of Indiana?</p> <p>9 A. I don't know if it was a national one or</p> <p>10 not. I can't remember.</p> <p>11 Q. Okay.</p> <p>12 A. I cannot recall.</p> <p>13 Q. Who assisted you with that?</p> <p>14 A. I did that on my own initially before I</p> <p>15 hired Brad.</p> <p>16 Q. Okay. Do you remember what it is that you</p> <p>17 did?</p> <p>18 A. All the paper filings is what I did.</p> <p>19 Q. With the State of Indiana?</p> <p>20 A. With the State of Indiana.</p> <p>21 Q. And then did your lawyer help you with a</p> <p>22 wider search?</p> <p>23 A. I don't know if he did or not. I'd have</p> <p>24 to ask. I have no idea.</p> <p>25 Q. Do you know whether you or he ever did a</p>	<p>1 for a domain, did you ask them to search for any</p> <p>2 other names?</p> <p>3 A. Yeah. I mean they searched for Alfa</p> <p>4 Mortgage. It wasn't there. They searched for a few</p> <p>5 different ones, and then they found that.</p> <p>6 Q. Did they search just for Alfa, A-l-f-a?</p> <p>7 A. I don't remember.</p> <p>8 Q. Did they give you a report back?</p> <p>9 A. No.</p> <p>10 Q. Is that the only domain with the name --</p> <p>11 domain name with the name Alfa that you own?</p> <p>12 A. Yes.</p> <p>13 Q. Your company has never originated any</p> <p>14 sales outside of the states of Indiana and Oregon;</p> <p>15 right?</p> <p>16 A. Correct.</p> <p>17 Q. Do you anticipate continuing the business</p> <p>18 originations in Oregon?</p> <p>19 A. I do intend to.</p> <p>20 Q. Okay. Your income at your company, it is</p> <p>21 fee based; right?</p> <p>22 A. It is, correct.</p> <p>23 Q. That's the sole source of income?</p> <p>24 A. Correct.</p> <p>25 Q. So this would be a fee that you're paid on</p>
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<p>1 federal trademark search?</p> <p>2 A. I do not know.</p> <p>3 Q. Okay. Earlier you said that you had not</p> <p>4 heard of Alfa Corporation before.</p> <p>5 A. That's right.</p> <p>6 Q. Spelled A-l-f-a; right?</p> <p>7 A. Yeah.</p> <p>8 Q. Have you heard of Alfa Insurance, A-l-f-a?</p> <p>9 A. No.</p> <p>10 Q. Who owns your domain, alfamtg.com?</p> <p>11 A. I registered that domain through Genesis</p> <p>12 when they created my website.</p> <p>13 Q. And who is the owner of that domain,</p> <p>14 yourself?</p> <p>15 A. Myself.</p> <p>16 Q. Or the corporation?</p> <p>17 A. Alfa Mortgage.</p> <p>18 Q. When did you -- well, strike that. Let me</p> <p>19 ask it another way.</p> <p>20 Where is Genesis located, do you know?</p> <p>21 A. They are in California. I'm not sure</p> <p>22 which part of California.</p> <p>23 Q. Okay.</p> <p>24 A. So --</p> <p>25 Q. Other than alfamtg, when you were looking</p>	<p>1 the loan origination?</p> <p>2 A. That's right.</p> <p>3 Q. Who pays that fee?</p> <p>4 A. The fee is paid from the -- our investors.</p> <p>5 Q. Okay. Let's look at the State of Oregon.</p> <p>6 For the last year, what was the total amount of fees</p> <p>7 that your business generated there?</p> <p>8 A. We didn't really do very much in the State</p> <p>9 of Oregon. Maybe we only had, like, one or two</p> <p>10 closings there in the last year. So maybe 5-,</p> <p>11 6,000.</p> <p>12 Q. Okay. And would that be approximately the</p> <p>13 same for the two prior years?</p> <p>14 A. No. Prior to that, we did do more than</p> <p>15 that. Our licensing had expired somewhere in there</p> <p>16 and then we renewed them, but then there was</p> <p>17 additional document that was needed and so we never</p> <p>18 got that far.</p> <p>19 Q. For the other years that you were active</p> <p>20 in Oregon, could you give me an estimate of the</p> <p>21 total fee receipts?</p> <p>22 A. Oh, I don't know, maybe 25,000 roughly.</p> <p>23 Q. Okay. Now, let's turn to Indiana. Could</p> <p>24 you give me an estimate of your total -- of the</p> <p>25 total revenues of your company in Indiana in 2005?</p>

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<p style="text-align: right;">Page 46</p> <p>1 A. In 2005, maybe 80,000, something like 2 that. 2003 and 2004 were much larger than that. 3 Q. About how much? 4 A. Probably 3-, 400. 5 Q. Okay. What accounts for the decline? 6 A. My move. Huge decline. I -- when I moved 7 to California, I lost pretty much all of my 8 employees because they knew I was leaving and they 9 went elsewhere, so that caused for a big decline. 10 Q. Okay. 11 A. And then I went through a lot of some 12 personal issues, a divorce and everything else, that 13 really slowed me down. So -- 14 Q. Earlier you were saying that you have 15 relationships with about 50 lenders? 16 A. Um-hum. Yeah. 17 Q. Do you actually have relationships with 50 18 lenders or do you work for wholesalers that have the 19 relationship? 20 A. Well, those are probably investors that we 21 have on approved lender lists, so we have 22 relationships with those investors. At some point, 23 we originate the mortgage loans through them 24 directly. So that's -- 25 MR. BASOMBRI: That's all I have.</p>	<p style="text-align: right;">Page 48</p> <p>1 Q. How much did you spend on advertising last 2 year? 3 A. Oh, maybe a couple thousand dollars. 4 Q. And the year before? 5 A. Probably maybe five. 6 Q. Okay. 7 A. Yeah. I don't think I ever spent maybe 5- 8 or 6,000 a year. 9 Q. Okay. That's all I have. 10 A. It could have been maybe more than that 11 because my monthly, just to run my rates, was maybe 12 4- or 500 -- \$500 a month. So that right there is 13 at least five grand. So I'd have to really look at 14 the numbers and see. 15 Q. But it's about that approximation? 16 A. Maybe, like, between the five and ten. I 17 don't know if it's exceeded that. 18 MR. BASOMBRI: Okay. We'll just have the 19 same stipulation as always? 20 MS. CRADDOCK: I think we should ask her 21 if she'd like to read the transcript. 22 MR. BASOMBRI: Oh, that's right. You 23 have the right to read the transcript and make 24 corrections, if you want to. 25 THE WITNESS: Okay.</p>
<p style="text-align: right;">Page 47</p> <p>1 THE WITNESS: Okay. 2 MS. CRADDOCK: I have one more question. 3 THE WITNESS: All right. 4 FURTHER EXAMINATION BY MS. CRADDOCK 5 MS. CRADDOCK: Q. You made reference to a 6 decline, being after you moved, you lost a lot of 7 employees. 8 A. Yes. 9 Q. How many employees did you have? 10 A. Well, we only are like six employees, but 11 it was a, you know, it was doing fairly well and 12 then I had to move. 13 Q. What were those employees -- were they all 14 originators? I mean -- 15 A. I had an office manager. I had a 16 processor and then originators. 17 Q. How many originators did you have? 18 A. I had four originators, a processor and a 19 manager, which also originated. 20 Q. The processor did? 21 A. The manager. 22 MS. CRADDOCK: Office manager. Okay. 23 FURTHER EXAMINATION BY MR. BASOMBRI 24 MR. BASOMBRI: You know, I have one 25 follow-up.</p>	<p style="text-align: right;">Page 49</p> <p>1 MR. BASOMBRI: You've got to work that 2 out with her. I have no objection to that. 3 MS. CRADDOCK: If you want to read the 4 transcript -- 5 THE WITNESS: Yes. 6 MS. CRADDOCK: -- and sign -- yes, you'd 7 like to read your transcript? 8 THE WITNESS: I would. 9 MS. CRADDOCK: Okay. I'll send it to you. 10 The court reporter will send me a copy, and I'll 11 send you a copy for your review. 12 THE WITNESS: Okay. 13 MR. BASOMBRI: Okay. Thank you. 14 THE VIDEO OPERATOR: This marks the end of 15 Videotape No. 1 in the deposition of Corina Shelton. 16 The original videotapes will be retained by Legalink 17 New York. Going off the record. The time is 11:22. 18 --o0o-- 19 (Whereupon, the deposition was 20 adjourned at 11:22 a.m.) 21 --oOo-- 22 23 24 25</p>

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1 I declare under penalty of perjury that
 2 the foregoing is true and correct. Subscribed at
 3 _____, California, this ____ day
 4 of _____ 2006.

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 8 _____
 9 CORINA SHELTON
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1 CERTIFICATE OF REPORTER

2 I, CYNTHIA A. PACINI, a Certified
 3 Shorthand Reporter, hereby certify that the witness
 4 in the foregoing deposition was by me duly sworn to
 5 tell the truth, the whole truth, and nothing but the
 6 truth in the within-entitled cause;

7 That said deposition was taken in
 8 shorthand by me, a disinterested person, at the time
 9 and place therein stated, and that the testimony of
 10 the said witness was thereafter reduced to
 11 typewriting, by computer, under my direction and
 12 supervision;

13 That before completion of the deposition,
 14 review of the transcript [X] was [] was not
 15 requested. If requested, any changes made by the
 16 deponent (and provided to the reporter) during the
 17 period allowed are appended hereto.

18 I further certify that I am not of counsel
 19 or attorney for either or any of the parties to the
 20 said deposition, nor in any way interested in the
 21 event of this cause, and that I am not related to
 22 any of the parties thereto.

23 DATED: _____, 2006

24 _____
 25 CYNTHIA A. PACINI, CSR No. 6117

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In The Matter Of:

*ALFA CORPORATION v.
OAO ALFA BANK, et al.*

*CORINA SHELTON
July 31, 2006*

LEGALINK MANHATTAN
*420 Lexington Avenue - Suite 2108
New York, NY 10170
PH: 212-557-7400 / FAX: 212-692-9171*

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